

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Riverton Senior Center

March 26, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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March 22, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Riverton Senior Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Riverton Senior Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Riverton Senior Center and the cooperation from Loriann Warner, Center Manager, and Jessica Montgomery, Fiscal Manager, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Riverton Senior Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Todd Livingston
Deputy Auditor

cc: Sarah Brenna, Division Director
Emma Houston, Center Operations Director
Jessica Montgomery, Fiscal Manager
Loriann Warner, Center Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Riverton Senior Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

The Riverton Senior Center has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, the risks discovered dealing with failure to use county forms, and inadequate controls over controlled assets and cashiering functions have a higher likelihood of leading to loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - Receipts were not issued for payments remitted.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.1.2 states:

"All persons remitting payments in the form of currency, check, money order or other negotiable instrument...in person 'over-the-counter,' shall be issued a receipt documenting the payment."

Receipts were not provided to Patrons under the age of 60 paying for lunch.

Receiving payments without issuing a receipt increases the risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend issuing a receipt to Patrons under the age of 60 paying for lunch.

Management Response

The manager will ensure that a numbered receipt book is used and will receipt all 'over-the-counter' currency to the payer according to County policy to include patrons under the age of 60 paying for lunch.

Finding # 2 - No controlled asset inventory list existed.

Risk Level: Moderate

Countywide Policy #1125 “Safeguarding Property/Assets,” Section 2.2.3, under Property Manager’s Duties, property managers are responsible to:

“Maintain records as to current physical location of all...controlled assets within the organization’s operational and/or physical custody.”

A controlled asset inventory list was not on file for the Riverton Senior Center. Aging Services is currently in the process of updating their system and does not have a controlled asset inventory list available.

Failure to perform, document, and maintain a controlled asset inventory list increases the risk of assets being lost, stolen, or diverted for personal use.

Recommendation

We recommend the Riverton Senior Center conduct and document annual inventories of controlled assets and update the inventory list whenever assets are acquired or disposed.

Management Response

The manager has completed a controlled asset inventory list. The inventory list will be updated as needed and the manager will ensure that annual inventory reviews are conducted.

Finding # 3 - PM-2 Forms were not kept on file.

Risk Level: Moderate

Countywide Policy #1125 “Safeguarding Property/Assets,” Section 2.2.7, under Property Manager’s Duties, property managers are responsible to:

“Maintain copies of all...PM-2...forms for all fixed asset personal property transferred, disposed, and sold internally.”

No PM-2 Forms were kept on file at the Riverton Senior Center.

When assets transfers, disposals, or sales are not properly documented, assets are at a greater risk of conversion to personal use.

Recommendation

We recommend using Form PM-2 when transferring, disposing, or selling assets, and that a copy be retained on file.

Management Response

From this point forward, the manager will ensure PM-2 forms are completed and copies are kept in the center files. Riverton Senior Center is just under two years old and their entire inventory is new, so it is likely that PM-2 forms were not needed.

Finding # 4 - An MPF Form 3A was not used.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.8.2 states:

"Change funds should be counted, restored to the established imprest balance, and any daily shortages or overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log. These forms shall be retained by the County Agency in accordance with County records retention guidelines."

An MPF Form 3A was not retained at the Riverton Senior Center.

An MPF Form 3A is to be used if/when an overage or shortage occurs.

Recommendation

We recommend the Riverton Senior Center use an MPF Form 3A to record overages and shortages.

Management Response

From this point forward, the manager will ensure that the MPF Form 3A is used to record overages and shortages.

Finding # 5 - A bank deposit ticket did not balance with the actual deposit.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip."

The total listed on a bank deposit ticket was incorrect. The bank stamped the bank deposit ticket with the incorrect total.

Failure to provide the correct amount of funds deposited on the bank deposit ticket increases the risk that funds will be lost, stolen, or diverted for personal use.

Recommendation

We recommend that the bank deposit ticket totals be verified.

Management Response

From this point forward, bank deposit tickets will be reviewed by the senior staff on duty and bank deposit ticket totals verified.

Finding # 6 - Pre-numbered receipts were not used sequentially.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 3.5.3 states:

"If a County Agency uses manual receipts, they shall be pre-numbered and used in numerical order. All remittances shall be receipted in the manner indicated on the prescribed form of pre-numbered receipts. Each receipt shall be filled out completely."

Receipts located in the pre-numbered manual receipt book were not used in numerical order.

Failure to use pre-numbered receipts sequentially increases the risk of funds being lost, stolen, or converted for personal use.

Recommendation

We recommend that pre-numbered receipts be issued sequentially.

Management Response

From this point forward, the manager will ensure that receipts in the pre-numbered receipt book are used in numerical order and will be issued sequentially.

Finding # 7 - A voided transaction was not conducted according to procedure.

Risk Level: Low

Countywide Policy #1062 “Management of Public Funds,” Sections 3.7.2 and 3.7.3 state:

“All copies will be marked 'VOID,' including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution...A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes.”

A receipt located in the manual receipt book was marked “VOID,” but was not signed by a supervisor nor the cashier, did not state the cause and resolution, and was not included with the daily deposit reconciliation documents.

Failure to sign and include voided receipts with the daily deposit reconciliation documents increases the risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that voided receipts be documented with the cause and resolution, signed by the cashier and a supervisor, and included with the daily deposit reconciliation documents.

Management Response

From this point forward, the manager will ensure that all receipts that are voided are documented with the cause and resolution, signed by the manager, and included with the daily deposit reconciliation documents.

Finding # 8 - A County employee acted as cashier for a personal transaction.

Risk Level: Low

Standard business practice requires segregation of duties when an employee makes a personal transaction.

A Riverton Senior Center employee acted as cashier to conduct a personal transaction.

Failure to segregate duties increases the risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that employees do not act as cashiers when conducting a personal transaction.

Management Response

From this point forward, employees will not act as cashiers for personal transactions.

Finding # 9 - Checks were not restrictively endorsed upon receipt (when received through ways other than a donation box).

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.6.1 states:

"All checks and negotiable instruments received by Cashiers shall be restrictively endorsed immediately upon receipt using the Agency's approved restrictive endorsement stamp."

Checks received over the counter are placed in the change bag and are not endorsed until the daily cash count.

Failure to endorse checks upon receipt creates a greater risk of County funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend restrictively endorsing checks immediately upon receipt.

Management Response

The manager has trained all employees and will ensure that all checks are endorsed immediately upon receipt and logged according to County policy.

Finding # 10 - There were multiple cashiers using the cash drawer (change bag).

Risk Level: Low

Standard business practice requires that a single cashier be accountable for a single cash drawer at a time.

The change bag at the Riverton Senior Center was used by multiple staff and volunteers.

Multiple cashiers accessing a single cash drawer increases the difficulty of tracking potential problems. Additionally, cashiers may feel less responsible than they would if they were wholly responsible for their cash drawer. Moreover, access by staff and volunteers to the same cash drawer (change bag) increases the risk of County funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend only one cashier have access to the cash drawer (change bag), or if that is not feasible, that compensating internal controls be put in place to protect County funds.

Management Response

Due to the nature of business at the Senior Center, there will be times when the cash drawer is transferred among employees. The manager has implemented a transfer log; fund transfers are now documented.

Finding # 11 - Cash and checks were accessible to unauthorized staff and volunteers.

Risk Level: Low

Standard business practice requires that cash, checks, or credit card receipts not be accessible by the public or unauthorized staff.

Cash and checks were located in a change bag inside a lockable drawer at the front desk, but the drawer was not always locked. Staff, County employees, and volunteers had access to the immediate area where the change bag was located.

County funds are at a greater risk of being lost, stolen, or diverted for personal use when unauthorized staff and/or volunteers have access to the change bag.

Recommendation

We recommend that only authorized staff have access to County funds.

Management Response

The manager has trained all staff on proper cash and check handling. Volunteers do not have access to cash or checks; the drawer is now locked and only accessible to County employees.

Finding # 12 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Only one employee opened the mail directed to the Riverton Senior Center and no log was kept of the amount or date payments were received.

When mail is not opened under dual control and included on a log, County funds are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the mail be opened in the presence of two persons and checks received are included on a log.

Management Response

The manager has trained all staff that mail received will be opened in the presence of two employees. Any checks or cash received by mail will be logged.

Finding # 13 - The bank deposit did not reconcile with the daily collection record.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip..."

The amount of currency and checks listed on the cash balance sheet did not match the amount of currency and checks listed on the bank deposit ticket.

Failure to reconcile the Daily Collection Record with the Daily Bank Deposit increases the risk of County funds being lost, stolen or diverted to personal use.

Recommendation

We recommend that the bank deposit be reconciled with the daily collection record.

Management Response

The manager will ensure that all bank slips match the deposit reconciliation sheets; two signatures will be documented on reconciliation sheets.

Finding # 14 - A Fund Transfer Log was not included with the change fund.

Risk Level: Low

Countywide Policy #1062 “Management of Public Funds,” Section 2.7.3 states:

“Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox.”

The Riverton Senior Center did not use an MPF Form 7 or similar log to document employees removing and returning the change fund to and from the safe.

When accountability for funds is not documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend an MPF Form 7 “Fund Transfer Ledger” or similar log be used to document employees removing and returning change funds to and from the safe.

Management Response

An MPF Form 7 has been implemented; fund transfers are now documented.

Finding # 15 - The check endorsement stamp was unsecured.

Risk Level: Low

Standard business practice is to protect financial information or instruments by keeping them in a secured location.

The check endorsement stamp was located in a drawer in the employee break-room. The break-room was un-attended and the drawer was not locked.

Failure to keep financial materials in a secured location or locked drawer increases the risk of funds being stolen, or diverted to personal use.

Recommendation

We recommend keeping the check endorsement stamp in a secured location.

Management Response

The check endorsement stamp is now kept in a locked drawer.

Finding # 16 - Volunteers conducted cashier functions.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 2.1.1 states:

"County Agencies shall select and designate employees as Cashiers..."

Riverton Senior Center volunteers performed cashier duties by accepting cash and providing change to patrons.

Volunteers are not County employees who have been designated and trained as cashiers. Permitting volunteers to act as cashiers increases the risk of County funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that only County employees designated as cashiers perform cashiering duties.

Management Response

The manager has trained all staff and volunteers that only employees are allowed to handle County funds.

Additional Information

Background

The Riverton Senior Center is part of the Salt Lake County Aging Services Division and is located at 12914 South Redwood Road, in Riverton. The Riverton Senior Center provides seniors with social and learning opportunities, including: meals, classes, computer access, and activities.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending December 31, 2012. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.